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10 **UNITED STATES BANKRUPTCY COURT**  
11 **NORTHERN DISTRICT OF CALIFORNIA**  
12 **OAKLAND DIVISION**

13 In re:	)	
	)	
14 <b>ANDRONICO'S MARKETS, INC.,</b>	)	Case No. 11-48963-EDJ-11
A California Corporation, aka	)	
15 Andronico's Community Markets,	)	Chapter 11
	)	
16 Debtor.	)	Date: October 13, 2011
	)	Time: 9:00 a.m.
17 1200 Irving Street	)	Place: United States Bankruptcy Court
San Francisco, CA 94122	)	1300 Clay Street, Courtroom 215
	)	Oakland, CA 94612
18 Employer Tax I.D. No.: 94-1307395	)	Judge: Honorable Edward D. Jellen
19	)	

20 **SECOND DECLARATION OF WILLIAM R. BRINKMAN IN SUPPORT OF**  
21 **MOTION BY DEBTOR TO SELL CERTAIN ASSETS FREE AND CLEAR OF LIENS, CLAIMS,**  
**ENCUMBRANCES AND OTHER INTERESTS**

22 I, William R. Brinkman, declare:

23 1. I am a principal of Bailey, Elizondo & Brinkman LLC ("BEBLLC"), the financial  
24 advisor for Andronico's Markets, Inc., the debtor and debtor in possession in the above-captioned  
25 bankruptcy case ("Andronico's," the "Company" or the "Debtor"), and am authorized to make this  
26 declaration on behalf of the Debtor. I have personal knowledge of the matters stated herein except  
27 as to those matters stated on information and belief, and as to those matters I am informed and  
28 believe them to be true. If called as a witness, I could and would testify competently as to those

1 matters.

2           2.       I submit this Declaration in further support of the MOTION BY DEBTOR TO SELL  
3 CERTAIN ASSETS FREE AND CLEAR OF LIENS, CLAIMS, ENCUMBRANCES AND OTHER INTERESTS (the  
4 “Sale Motion”) previously filed with the Court.

5                               **Supplement to Post-Petition Marketing Efforts**

6           3.       My previous declaration filed in support of the Sale Motion set forth efforts to market  
7 the Purchased Assets both prior to the filing of the bankruptcy case and during the Chapter 11 case.  
8 This supplement is provided to describe efforts undertaken since on or about September 20, 2011,  
9 the date of the first declaration.

10           4.       During the post-petition period, BEBLLC updated and refreshed the sale marketing  
11 materials, updated the online data room, and created a proposed transaction summary, a “teaser”,  
12 that was emailed during the week of September 5, 2011 to approximately 1,500 potential investors,  
13 capital sources, and advisors, who are BEBLLC contacts from its proprietary database. The 46  
14 prospective candidates, excluding those who asked to be removed from the list, were also emailed  
15 the teaser. A supplemental “teaser” based on the final terms of the Purchase Agreement and the Bid  
16 Procedures Order was emailed during the week of September 19, 2011 to the same potential  
17 investors as the original “teaser” except for those candidates who indicated that they were not  
18 interested in this transaction or were duplicative within potential targets. BEBLLC contacted each  
19 of the 46 prospective candidates who were initially targeted, excluding the ones who indicated that  
20 they were not interested in a transaction involving Andronico’s, and BEBLLC responded to  
21 approximately 30 inbound inquiries from potential bidders as a result of the supplemental teaser  
22 email. Of the original 46 targets, three of them reviewed the updated materials and engaged in some  
23 level of due diligence before ultimately deciding to not bid. In addition, six newly-identified  
24 potential bidders signed non-disclosure agreements and performed due diligence. Two of the six  
25 indicated that they were interested in acquiring one store—the San Francisco location, and the  
26 remaining four potential bidders were interested in potentially acquiring substantially all of the  
27 Debtor’s assets. Ultimately, none of the six newly-identified candidates submitted a bid to acquire  
28 any of Andronico’s assets. Many of the potential bidders that BEBLLC communicated with

1 expressed the view that the \$16 million stalking horse bid appeared to be too expensive and that the  
2 stalking horse bidder would likely increase its bid, up to the amount of secured debt owned by the  
3 stalking horse bidder, if a competing bid was entered.

4 5. I believe that the marketing process was fair and efficient, and achieved its goal of  
5 producing the highest and best stalking horse bidder, as well as fostering significant interest among  
6 potential competing bidders in the ultimate Court-conducted auction at the Sale Hearing.

7 **Response to Limited Objection by Creditors' Committee and Declaration in Support Thereof**

8 6. Since February 2011, BEBLLC has been marketing Andronico's for sale both as a  
9 going-concern entity and for the sale of Andronico's individual stores. Several potential buyers,  
10 including a large retail chain, evaluated both the Shattuck Avenue location and the University  
11 Avenue location and indicated to me that the leasehold interest in both stores was likely worthless  
12 as-is. That is, the lease terms would have to be extended, in one case the request was the addition of  
13 seven (7) five-year options for a total of 35 years, in order for the potential buyers to actually assign  
14 any leasehold interest value to the store location. Further, the University Avenue location lost  
15 money on a four-wall operating basis—that is before any allocation of overhead—during fiscal years  
16 2010 and 2011, when the Debtor estimates that the store-level loss will be in excess of \$550,000.

17 7. During negotiations of a letter of intent ("LOI") with one potential acquirer, which is  
18 a competitor to Andronico's, that potential buyer stated to me that the University Avenue leasehold  
19 interest does not have any value, and the potential buyer included the University Avenue store in its  
20 initial LOI as an incentive for Andronico's to select its LOI. Ultimately, after further due diligence  
21 this potential buyer amended its LOI to exclude the University Avenue location, and the potential  
22 buyer indicated to me that store location was undesirable and the amount of capital expenditure  
23 required was likely cost prohibitive.

24 8. The Debtor's real estate broker attempted for over 4 months to sublease or otherwise  
25 strike an agreement whereby another retailer would take-over the University location for  
26 Andronico's. While there was considerable interest in evaluating a potential transaction with  
27 Andronico's, no suitor was willing to sub-lease the store location even after Andronico's indicated  
28 that it was willing to continue to pay some portion of the University Avenue rent as an inducement

1 for the potential sub-lessee. I have personally discussed the marketing efforts with the real estate  
2 broker and have reviewed her matrix that details discussions with approximately 23 potential sub-  
3 lessee's, and my conclusion is that the University Avenue leasehold interest does not have any real  
4 market value.

5 9. With regard to the declaration by Matthew D. Covington filed in support of the  
6 Committee's limited objection [docket no. 284-1] as it relates the conclusion that an LOI, which is  
7 not a binding contract, received by the Company indicated that value ranges "of the Purchased  
8 Assets other than Unencumbered Assets exceeds the DIP Balance by approximately \$4 million to \$9  
9 million, this conclusion fails to consider the practical implications that the required conditions  
10 precedent rendered the LOIs highly improbable. Specifically, the potential buyer required that the  
11 San Francisco location lease terms be materially modified—with significant rent decreases and  
12 extensions of term. The San Francisco landlord has clearly indicated to the Debtor that it is not  
13 willing to modify the current lease if such modifications negatively impact the cash flow and  
14 ultimate value of the lease, and, further, the landlord has denied the stalking horse bidder any  
15 changes to the San Francisco lease.

16 I declare under penalty of perjury under the laws of the State of California and the United  
17 States that the foregoing is true and correct and that this Declaration is executed on October 12,  
18 2011.

19 /s/ William R. Brinkman  
20 William R. Brinkman  
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